



State of Utah

DEPARTMENT OF NATURAL RESOURCES
DIVISION OF OIL, GAS AND MINING

Michael O. Leavitt
Governor

Ted Stewart
Executive Director

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FACSIMILE COVER SHEET

DATE: MAY 21, 1998

NUMBER OF PAGES INCLUDING THIS COVER SHEET: 8

TO:

PAT GOCHNOUR

PHONE (303) 770-7580

FAX NUMBER:

303-770-7564

FROM:

TONY GALLEGOS

PHONE 801-538-5267

Minerals Reclamation and Development Program

PHONE:

(801) 538-5291

FAX:

(801) 359-3940

SUBJECT:

M/037/088 - LISBON VALLEY COPPER

- DOGM/SITLA INTERACTION

REMARKS:

HERE ARE DOCUMENTS FROM THE SUMMO FILES REGARDING
OUR INTERACTIONS WITH SITLA: (1) OCT. 1, 1997 NOTIFICATION
LETTER, (2) SEPT. 13, 1996 LETTER FROM SITLA TO GOCHNOUR &
ASSOCIATES, (3) OCT. 27, 1995 MEETING DOCUMENTATION MEMO

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October 1, 1997

Will Stokes
School and Institutional
Trust Lands Administration
675 East 500 South, Suite 500
Salt Lake City, Utah 84102

Dear Mr. Stokes:

Re: Public Notice to Owners of Record, Lisbon Valley Project, M/037/088, San Juan County, Utah

Pursuant to Rule 647-4-116 of the Utah Division of Oil, Gas and Mining's Minerals Reclamation Program, you are hereby notified of the Division's tentative decision to approve Summo (USA) Corporation and Lisbon Valley Mining Company's change in the form of proposed reclamation surety for their Lisbon Valley Project in San Juan County, Utah. This rule requires that all owners of record of the land affected be notified of said action. A copy of the public notice, that will be published in the local and Salt Lake area newspapers, is attached for your reference and information.

Anyone aggrieved by this tentative decision is hereby advised to file a written protest with this Division setting forth factual reasons why this proposed change in surety should not be approved. Written objections of substance, received by the Division during the public comment period, will be heard at a hearing before the Board of Oil, Gas and Mining, in accordance with UCA §40-8-18.

Sincerely,

D. Wayne Hedberg
Permit Supervisor
Minerals Regulatory Program

jb
Attachment
M37088.own



State of Utah

School and Institutional
TRUST LANDS ADMINISTRATION

Michael O. Leavitt
Governor

David T. Terry
Director

675 East 500 South, Suite 500
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801-538-5100
801-355-0922 (Fax)

m/037/08



September 13, 1996

Gochmour & Associates, Inc.
P.O. Box 3207
Englewood, Colorado 80155

ATTN: Pat Gochmour, Principal

RE: School and Institutional Trust Lands Administration bonding requirements;
Metalliferous Mineral Leases ML-17661 & ML-20569, Lisbon Valley Project, Summo
USA Corporation; DOGM # M/037/088

Dear Mr. Gochmour:

Under a Memorandum of Understanding between the School and Institutional Trust Lands Administration, formerly the Utah Division of State Lands, and the Division of Oil, Gas and Mining (DOGM), and upon mutual agreement between both parties, posting of a reclamation bond, by a Lessee of Trust land, with either agency shall satisfy bonding requirements of both agencies. It is my understanding that the BLM and DOGM also have a similar Memorandum of Understanding regarding mining on lands administered by the BLM. Since the Lisbon Valley project involves BLM, Trust, and private land it is customary to have DOGM hold the reclamation bond.

As allowed under the second paragraph of Article XII of lease agreements ML-17661 & ML-20569, after the Lessor receives a notice of intent to commence mining operations, upon request of the Lessor, the Lessee shall furnish a bond with approved corporate surety company authorized to transact business in the State of Utah, or other such security acceptable to the Lessor, in an amount to be determined by the Lessor, after talking into account the value of the land and amount of potential damage which likely will result from such proposed mining operations, and which bond or other security shall be conditioned upon payment of all rentals and royalties from the leasehold and other sums which may become payable to the Lessor, and to assure full compliance with the terms and conditions of the lease...



Gochmour & Associates, Inc.

September 13, 1996

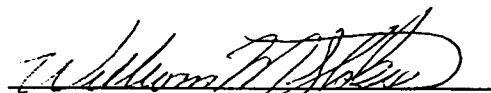
Page Two

As DOGM will be holding the reclamation bond the Trust Lands Administration will require an additional bond to cover the rental and royalty obligations of the lease agreement. The bonding amount required to cover the rental and royalty obligations will be set at \$ 25,000.00. This amount is an estimate of the average quarterly production royalty expected from minerals produced from the Centennial ore body over the ten (10) year life of that ore body. Estimated production royalties from the GTO ore body have not been included as part of the bonding requirement as production from the GTO ore body is not expected until the sixth or seventh year of the project life.

The Trust Lands Administration is currently holding a corporate surety bond (# 137589838) in the amount of \$ 5,000.00 with American Casualty Company of Reading, PA as surety and St Mary Minerals Inc. as the principal. A rider to this bond increasing the bond amount to \$ 25,000.00 would satisfy the School and Institutional Trust Lands Administration bonding requirement.

If you have any questions please contact me.

Sincerely,



William M. Stokes

Minerals Resource Specialist.

cc: D. Wayne Hedberg, DOGM
Lynn Jackson, BLM Moab District
Bob Prescott, Summo Moab, Utah



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M 037/088

October 27, 1995

TO: Minerals File

FROM: Tony Gallegos, Reclamation Engineer *ray*

RE: Meeting Documentation, Summo USA Corporation (Summo), Lisbon Valley Project, M/037/088, (BLM UTU-72499; ML17661 & ML20569) San Juan County, Utah

Date of Meeting: October 26, 1995

Time of Meeting: 10:00 - 11:50

Location: DOGM offices, 3 Triad

Participants: Bob Prescott, Summo USA Corp., Moab Office; Pat Gochnour, consultant for Summo, Gochnour & Associates, Inc.; Will Stokes, School Institutional Trust Lands Administration (SITLA); Tom Munson, Lynn Kunzler, Tony Gallegos, DOGM

The meeting opened with a general overview of the permitting activities which have taken place to date or are currently under way. The proposed Plan of Operations (POO) dated August 8, 1995, has been submitted for review to the BLM, the Division and SITLA. Summo has contracted with a third party for completion of the EIS required by the BLM. A draft EIS is anticipated sometime in the spring of 1996 with the final EIS expected in the early fall of 1996. Summo would like to begin work by January 1997. Summo has contacted the Division of Water Quality regarding the design of the heap leach and processing facilities. Summo has also contacted the Division of Air Quality and the San Juan County government.

We next discussed the Division's permitting process and the Memorandum of Understanding (MOU) currently in place. A POO is categorized under the Division rules as a Large Mining Operation Notice of Intention. The permitting process for a Large Mining Operation requires the Division to publish a public notice and go through a 30-day public comment period after the permit has received tentative approval from the Division. Typically, there are two or more exchanges of information between the mine operator and the Division, before a proposal receives tentative approval. At the time of tentative approval, the Division is also required to notify the Resource Development and Coordinating Committee (RDCC) who reviews the project proposal within a 45-day time frame. If no comments of substance are raised during these two comment periods, the Division then presents the form and amount of reclamation surety proposed for the project to the Board of Oil, Gas and Mining at a monthly Briefing. After the Board grants their approval, the Division issues Final Approval of the project and the operator may begin work on the ground.



The Division, BLM and USFS are currently party to a MOU regarding locatable minerals. Under this MOU, the various agencies are to coordinate permitting actions in order to minimize duplication and attempt to work within the same time frames. When two or more agencies are involved with a permitting action, one agency is usually designated as the lead. The lead is usually established as the agency with the most land holdings involved in the project. In this case, the BLM manages the majority of the lands associated with the Lisbon Valley Project. This majority of holdings, combined with their requirements for an EIS, point to the BLM as the lead agency. There is currently no formal MOU between SITLA and the BLM. Because SITLA and the Division are both state agencies, we have continued to act in the spirit of the MOU in effect prior to the creation of SITLA.

The permit requirements for leases on state lands (now handled by SITLA) were discussed. Will explained that SITLA would route any permit comments through the Division to be included as part of the Division's review of the proposal. As part of the state mineral lease agreement, Summo may be required to post a surety with SITLA which would cover the costs of reclamation, plus other amounts for rental and royalty. Typically, SITLA has required \$5,000 per acre as a surety for mineral leases. Because this project involves three different types of land ownership (BLM, state and patented) with the smaller fraction being state land, SITLA may not require a surety based on \$5,000 per acre. It is also possible that SITLA may require a separate surety which covers only the rental and royalty contingencies associated with the lease.

Because this project does involve the three land types, the Division will probably be the agency to hold the reclamation surety covering reclamation costs for the entire project. The decision of who would hold the surety will still need to be determined, but in any case, the surety would need to jointly list the BLM and Division. Preferably, one surety could be posted which would satisfy all three agencies.

We discussed the deficiencies in the POO according to the Division's Minerals Rules for Large Mining Operations. The POO is a general overview of the project proposal. A number of baseline studies are referred to in the POO as currently being performed or recently completed. It is likely that these studies and the EIS would contain the information needed to satisfy the Division's deficiencies. Several of the Minerals staff have briefly reviewed the proposal and had general comments on the deficiencies. To resolve these deficiencies, Summo could provide supplemental information to the Division, or wait until the EIS document was completed and use it to respond to the deficiencies. Because the Division's rules are not subject to the NEPA process, it is likely that a majority of the Division's permitting requirements could be satisfied prior to the final EIS. If desirable, Summo could provide the Division with the supplementary permitting information while the draft EIS is being prepared. The Division would coordinate the permit review with the BLM by copying the permitting correspondence to the appropriate BLM staff. This approach could satisfy a large number of the Division's deficiency concerns; however, there will be a number of permitting issues which will not be resolved until the final EIS is complete. One such item will be the amount of reclamation surety required for the project. This amount cannot be finalized until the final reclamation plan is agreed upon, which

Page 3
Meeting Documentation
Summo USA Corp.
M/037/088
October 27, 1995

will probably not happen until the final EIS is out. There will probably be a number of other permitting issues which will require consensus approval from the various agencies involved.

The meeting concluded with the following understandings:

- Summo will review the Division's draft comments and Large Mining Operations rules in order to prepare supplemental information which would satisfy the Large Mining Operations Notice of Intent requirements. This supplemental information is anticipated to be submitted within two months.
- The Division will not generate a letter of formal review for the August 1995 POO. The Division will suspend the review of this proposal until the supplemental information is submitted.
- Summo will coordinate with Will Stokes of SITLA regarding surety requirements under state mineral leases.
- SITLA will route any mining and reclamation permit concerns through the Division.

A copy of this meeting documentation will be sent to Summo, SITLA, and the BLM.

jb

cc: Bob Prescott, Pat Gochmour, Summo
Wil Stokes, SITLA
Sal Venticinque, BLM Grand Resource Area
Wayne Hedberg, DOGM (route)

summo.mem

SUMMO USA INC
Lisbon Valley Copper Project
EIS Public Scoping Meeting
Division of Oil, Gas and Mining General Comments

- Include a general description of the chemical process that will be used to leach the metals from the ore. This would be a chemical equation and/or verbal description describing which metals are mobilized; where they are dropped out in the system. In addition, please include a description of the proposed neutralization status of the heap, i.e. what will be the levels of the leachate coming off the heap when the heap is considered neutralized? This would include things such as a pH, metal cations, etc. Will Summo be required to have the leachate coming off the heap satisfy Drinking Water standards or other standards?
- Describe the chemical process for neutralizing the heap or neutralizing a release of leachate solutions. What remedial actions can be taken in the event of a release of leachate solutions?
- Describe the typical characteristics of the liquids in the various ponds, pregnant pond, raffinate pond, etc. Describe these as percent concentration of acids or metals and a pH if possible.
- Describe the possible effects on humans or wildlife which come in contact with any of the above solutions. Describe any treatments that would be used to counteract these effects.
- Include cross sectional drawings of the pits and heaps as they will be at the time of final reclamation.
- Describe the water quality characteristics anticipated for any pits which will continue to impound water after mining ceases. This would include pH, acid generation, metals, etc.
- Describe the toxicity of other chemical reagents which will be used at the processing facility which are not associated with the ponds.
- Include cross sectional drawings of the proposed final configuration of any waste dumps. This would be the slope configuration after final regrading and reseeded.
- What are the reclamation plans for the process ponds and leachate collection system? Will the pond liners be ripped and disposed of off site? Will the ponds be backfilled with liners in place? Will the ponds and collection system be left in place for several years of post closure monitoring?